

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Robert G. Taub, Vice Chairman;
Mark Acton;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices
Global Plus 1C Contracts (MC2012-6)
Negotiated Services Agreements

Docket No. CP2013-39

ORDER APPROVING ADDITIONAL
GLOBAL PLUS 1C NEGOTIATED SERVICE AGREEMENT

(Issued January 25, 2013)

I. INTRODUCTION

The Postal Service seeks to include a new contract (Agreement) within the Global Plus 1C product on the competitive product list.¹ For the reasons discussed below, the Commission approves the request.

¹ Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, January 10, 2013 (Notice). The Notice was filed pursuant to 39 C.F.R. 3015.5. *Id.* at 1. See also Errata to Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1C Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, January 11, 2013 (Errata).

II. BACKGROUND

Product history. The Postal Service enters into Global Plus 1C contracts with Postal Qualified Wholesalers (PQWs) and other large businesses that offer mailing services to end users for shipping articles via International Priority Airmail, International Surface Air Lift, Global Express Guaranteed, Express Mail International, Priority Mail International, and/or Commercial ePacket service. *Id.* at 5.

The Commission added Global Plus 1C to the competitive product list by operation of Order No. 1151, following consideration of a Postal Service request (based on Governors' Decision Nos. 08-8 and 11-6) in Docket No. MC2012-6.² The Commission concurrently included the agreements filed in companion Docket Nos. CP2012-12 and CP2012-13 within the Global Plus 1C product, and designated them as baseline agreements for assessing the functional equivalency of future agreements proposed for inclusion within the Global Plus 1C product.

The Agreement; effective date and term. The Agreement is the immediate successor to the agreement approved in Docket No. CP2012-12. Notice at 3. The Agreement is scheduled to take effect January 27, 2013, following termination of the Docket No. CP2012-12 agreement. *Id.* at 4. The Agreement is scheduled to expire the day prior to the date of any published rate change within the month of January 2014 affecting Qualifying Mail or, in the absence of a price change, on January 31, 2014. *Id.*

Commission action. In Order No. 1620, the Commission provided notice of the Postal Service's filing, appointed a Public Representative, and provided interested persons with an opportunity to comment.³

² Docket Nos. MC2012-6, CP2012-12, and CP2012-13, Order Adding Global Plus 1C to the Competitive Product List and Approving Related Global Plus 1C Agreements, January 19, 2012 (Order No. 1151).

³ Notice and Order Concerning an Additional Global Plus 1C Contract, January 11, 2013 (Order No. 1620).

III. THE POSTAL SERVICE'S POSITION

The Postal Service asserts that its filing demonstrates that the Agreement complies with the requirements of 39 U.S.C. § 3633, is functionally equivalent to the baseline agreement, and should be added to the Global Plus 1C product. Notice at 8. The Postal Service asserts that the Agreement is substantially similar to the baseline agreements. *Id.* at 4. It states that all three agreements share similar cost and market characteristics and rely on the pricing formula in Governors' Decision No. 11-6, ensuring that the costs of each Global 1C agreement conform to a common description. *Id.* at 4-5. The Postal Service also asserts that the functional terms of the Agreement are very similar to the baseline agreements and the benefits are comparable. *Id.* at 5.

The Postal Service states that prices under Global Plus 1C agreements may differ, based on volume, postage commitments, and date of signing, but asserts that these differences do not alter the agreements' functional equivalency. *Id.* at 5-6. It asserts that because Global Plus 1C agreements incorporate the same cost attributes and methodology, the relevant characteristics of the instant Agreement is similar to, if not the same as, the relevant characteristics of previously filed Global Plus 1C agreements. *Id.* at 6.

The Postal Service further asserts that the Agreement fits within the parameters outlined by the Governors' Decisions authorizing and establishing rates for Global Plus 1C agreements, but identifies certain differences between the Agreement and the baseline agreements stemming from additions, deletions, and revisions. *Id.* at 6-7. These include a change in the name and address of the customer and the signatory; the non-exclusion of Global Bulk Economy service; and revisions concerning Qualifying Mail and the minimum revenue commitment. *Id.* at 6. Other differences pertain to administrative or transactional terms and related conforming changes, including renumbering.⁴ *Id.* at 6-7.

⁴ The Postal Service states that differences in the Agreement (including minor revisions, conforming changes, and renumbering) affect the following articles, in whole or part: Articles 2 through 4; 7; 12 and 13; 15; 17 and 18; 25; 27 and 28; 30 and 31; and 33. The Postal Service identifies Article 34 (warranties and representation) as an additional article. *Id.* at 7.

The Postal Service asserts that these differences do not affect the fundamental service being offered or the fundamental structure of the contract, and claims that nothing detracts from the conclusion that the Agreement “is functionally equivalent in all pertinent aspects” to the Docket Nos. CP2012-12 and CP2012-13 baseline agreements. *Id.* at 7 (footnote omitted).

IV. COMMENTS

Comments were filed by the Public Representative.⁵ No other comments were received.

Consistency with 39 U.S.C. § 3633. The Public Representative’s review of the Postal Service’s filing leads him to conclude that the financial model indicates that the cost and cost coverage are similar to previous contracts deemed functionally equivalent by the Commission in previous cases. PR Comments at 3.

Functional Equivalence. The Public Representative cites the differences the Postal Service identifies between the instant Agreement and the baseline agreements, and agrees that they do not alter the conclusion that the Global Plus 1C contracts is functionally equivalent. *Id.* at 4.

V. COMMISSION ANALYSIS

Scope and nature of review. The Commission’s responsibilities in this case are to ensure that the Agreement (1) is functionally equivalent to the baseline agreements (Docket Nos. CP2012-12 and CP2012-13); and (2) satisfies the requirements of 39 U.S.C. § 3633 and applicable Commission rules (39 C.F.R. 3015.5 and 3015.7).

Functional equivalence. The Commission has reviewed the Postal Service’s reasons for asserting that the Agreement shares similar cost and market characteristics with Docket Nos. CP2012-12 and CP2012-13 baseline agreement; meets the pricing formula and classification criteria established in the controlling Governors’ Decisions;

⁵ Public Representative Comments on Request of the Postal Service to Add a Functionally Equivalent Global Plus 1C Negotiated Service Agreements, January 22, 2013 (PR Comments).

and comports with 39 U.S.C. § 3633 and Commission rules. It also has considered the Public Representative's views. The Commission agrees that the Agreement and the baseline agreements are substantially similar, and that any differences do not undermine a finding of functional equivalency. The Commission therefore concludes that the Agreement may be included in the Global Plus 1C product on the competitive product list.

Cost considerations. The Commission has reviewed the Notice, supporting financial analyses provided under seal, and the Public Representative's comments. Based on this review, the Commission finds that the Agreement should cover its attributable costs, as required by 39 U.S.C. § 3633(a)(2). It finds that the Agreement should not result in competitive products being subsidized by market dominant products as prohibited by 39 U.S.C. § 3633(a)(1). The Commission also finds the Agreement should have a positive effect on competitive products' contribution to institutional costs, consistent with 39 U.S.C. § 3633(a)(3). Accordingly, a preliminary review of the Agreement indicates that it is consistent with the provisions applicable to rates for competitive products.

Follow-up submissions. The Postal Service shall promptly notify the Commission of the effective date of the Agreement. The Postal Service shall promptly notify the Commission if the Agreement terminates early and provide the date of termination. In addition, within 30 days of the expiration or termination of the Agreement, the Postal Service shall file costs, volumes, and revenues disaggregated by weight and country group associated with the contract, including any penalties paid.

It is ordered:

1. The Agreement filed in Docket No. CP2013-39 is included within the Global Plus 1C product.
2. The Postal Service shall promptly notify the Commission of the effective date of the Agreement.

3. The Postal Service shall promptly notify the Commission if the Agreement terminates earlier than scheduled and provide the date of expiration.
4. Within 30 days of the expiration or termination of the Agreement (Docket No. CP2013-39), the Postal Service shall file costs, volumes, and revenues disaggregated by weight and country group, including any penalties paid.

By the Commission.

Shoshana M. Grove
Secretary